

**International trade union work
within multinationals**

**The sense and nonsense of
International Framework Agreements**

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“The main purpose of a framework agreement is to establish a formal ongoing relationship between the multinational company and the global union federation which can solve problems and work in the interests of both parties”.¹

The ICEM is currently negotiating global agreements with a number of multinational companies and sectors. Implementation of these accords is fully monitorable by the unions. This is the crucial difference between global agreements and the internal codes of conduct adopted by many multinationals.

Introduction

A relatively new tool for international trade unions is the International Framework Agreement (IFA), also referred to as the Global Framework Agreement or Global Company Agreement. This is an agreement concluded between the Global Union Federation (GUF) and a multinational company. 42 of such agreements were concluded in October 2005².

In the light of ongoing internationalisation and globalisation, it is important to look closely at what tools unions have access to within internationally operating companies and whether we will be able to take enough of a stance at international level. Not only in the Netherlands, but also transnationally, we are increasingly confronted with decisions taken by companies at a global level but with a local impact. These include reorganisations and strategic decisions made in a company as well as the introduction of management systems, quality systems or new rounds of automation.

The most important tool we have, the collective labour agreement, means little in such situations. Legislation is also purely nationally determined, albeit it that governments are obliged to formally adhere to fundamental international norms such as the ILO norms or the OECD guidelines. There is, however, no ‘world government’ with which the trade unions could try to conclude agreements which would then be imposed on international companies, neither can companies be formally held directly accountable as to whether or not they comply with ILO norms.

Partly because of the increased interest in Corporate Social Responsibility (CSR), the increasing attention to abuses within multinational companies and a greater consumer awareness, multinationals have in recent years been engaging in activities such as drawing up codes of conduct and initiating so-called stakeholder dialogues. Sometimes, but by no means always, trade unions are involved.

¹ As stated on the Global Unions Website

² See list in appendix 1

Object This paper discusses the 'International Framework Agreement' (IFA) as a potential tool for use by the trade unions in making arrangements with multinational companies at international level.

We begin by giving a brief outline of the developments in recent years. We then explore the potential role for FNV unions and federation.

The appendix gives a list of agreements concluded up to mid-2005.

1. *From codes of conduct to framework agreements*

Codes of conduct and labels

An increasing number of companies are drawing up codes of conduct or Business Principles. Nearly all large multinationals have just such a code. This in itself says nothing about their content, which varies from a 'mission statement' to a more detailed document, sometimes incorporating a limited number of subjects and sometimes a large number. The codes frequently relate not only to employees but also to customers, suppliers, surrounding residents, shareholders etc. The focus is often on developing countries, but this is not always the case. Not infrequently, the greatest attention is paid to matters of 'integrity' or 'ethics' (corruption, whistle blowing etc).

FNV Mondiaal describes in its booklet 'Corporate Social Responsibility' (in Dutch only) what factors a code of conduct should comply with. This pertains to the responsibilities vis-à-vis the employees. The key elements are: explicit reference to the ILO conventions, the involvement not only of the shareholders but also of other stakeholders – in particular the unions, clear direction and implementation, monitoring and independent verification.

Besides codes of conduct, there are also a number of labels or certification initiatives in the social and environmental areas. These show considerable variation, as do the structure and content of the initiatives. A few examples are FSC Timber, SA8000, Max Havelaar and FFP for flowers. Another is the Fair Wear Foundation (FWF), a clothing sector initiative, membership of which is open to companies. FWF is seeking to improve working conditions in clothing production, particularly in developing countries. Dutch or global unions are involved in certain of the labelling initiatives. FNV and FNV Bondgenoten are for example active in the Fair Wear Foundation, as are Mitex and Modint, the trade associations for clothing. FNV Bondgenoten is involved in initiatives in the flower sector and coffee, and FNV Bouw is involved in FSC, the Forest Stewardship Council in the wood sector.

The binding factor in all these initiatives is that the activities to improve the working conditions and labour conditions go on outside the traditional union channels like collective bargaining or the periodic consultations. Often, but not always, the efforts are targeted at developing countries and basic rights. Sometimes unions are represented in the initiatives, but by no means always.

A potential danger is that the norms in the code will become the standard, instead of collective labour agreements or legislation, and that these will begin to be taken as maximum instead of a minimum.

Another aspect to do with labels and codes of conduct is that the inspection procedure often calls on the services of auditing firms or certification organisations such as the SGS, which are called in to monitor compliance with the code of conduct or the label. This means that a new circuit develops, alongside the responsibility of government authorities (the employment inspectorate, for example), and alongside, or instead of, the trade unions. In the most favourable case, the code aims at sanctioning or promoting trade union organisation and the auditor consults with the trade unions. In the most unfavourable case (all too often still the reality), unions are often ignored or the right to organisation does not come into it at all.

From codes to framework agreements

The ICFTU previously drew up a model code in cooperation with the Global Union Federations (GUFs). The policy has meanwhile shifted from codes of conduct to framework agreements. The great difference is that while a code of conduct is drawn up unilaterally by the company, a framework agreement is drawn up and signed in partnership with the GUF. In practice this means that the GUF also plays a part in the compliance and monitoring. The main reason for doing so is that via an agreement, union issues are placed back on the union agenda instead of in a circuit controlled by other parties, such as NGOs and consultancy firms. Implicitly, or sometimes explicitly, an international agreement of this nature gives recognition to the international trade union and via the same channel, the local unions also gain recognition. In our philosophy, a strong trade union at local, national and international level is the best way of pressurising companies into improving their policy. We do not then have to fall back on auditing firms to monitor compliance with the norms.

What then should we do about other initiatives, for example the Fair Wear Foundation, or the certificate for flowers FFP (Fair Flower and Plants)? An important factor is that it is not always possible to find a large global partner to participate in such an agreement. One example is the clothing industry, where there are a large number of small and medium-sized companies and an enormous number of links in the chain. The same applies to flowers. For this type of industry, cooperation with trade associations is most appropriate. In some sectors, NGOs may have a part to play, particularly if the unions are weak or not represented at all, which is frequently the case in the flower and clothing industry both in the Netherlands and beyond. For FNV Bondgenoten, the FFP is also a way of gaining access to the flower growers from within the Netherlands and of organising the workers via the same channels.

If we opt for the framework agreement strategy, this does not mean we need to immediately cancel our membership of, for example, the Fair Wear Foundation. The ITGWLF, the global union in clothing and textile, is seeking to enter into framework agreements with the large multinationals. The one does not necessarily preclude the other.

2. *What issues do the framework agreements cover and what use are they anyway??*

Most of the IFAs are concluded with companies where there is already a tradition of consultation, usually with a headquarters in Western Europe or Scandinavia and with relatively well organised unions. The unions in the country of the headquarters invariably play an active, if not a crucial role in partnership with the GU. Up to now, four of the companies involved have a Dutch base: Ballast Nedam, EADS, Royal BAM group nv and Euradius BV.

The content of the agreements may vary from very brief texts largely focused on recognition of the unions and respect for trade union rights, to broader-based issues such as training, health and safety, etc. The lower limited is that the agreement should at the very least incorporate the right to organise and take part in collective bargaining.

The scope may vary: they generally do not apply to subcontractors, suppliers etc. Sometimes mention is made of applicability to suppliers, but this is invariably formulated in less strict terms.

Content of a number of IFAs³	
Corporate ethics	11
Child labour*	37
Relationships with the community	3
Labour contracts	7
Environment	15
Forced labour*	36
Freedom of association/collective bargaining*	39 (all)
Information and consultation	15
Non-discrimination*	38
Other international initiatives	8
Redeployment	4
Expectations with respect to unions	4
Suppliers	23
Termination of labour relationship"	5
Training	23
Wages	35
Working times	23
Health and Safety	25
* Core ILO labour standard	

The appendix contains a list of the agreements concluded up to mid 2005.

³ From: international framework Agreements, an employers guide. International Organisation of employers, updated version September 2005. These are based on 39 IFAs. That number is now higher: 42 as from October 2005.

Object of an IFA for the trade unions:

Concluding an international agreement is not an end in itself. The main challenge for the unions is to bring about a **dialogue at international level**. As increasing numbers of decisions by companies are taken at that level, it is of the utmost importance for the trade union to be internationally recognised as a discussion partner. An IFA can be an aid in achieving this.

International agreements are of importance to workers who have little **protection**: such agreements contain clauses regulating the safeguarding of fundamental norms such as the right to organise and take part in collective bargaining, non-discrimination, forced labour and child labour etc. Sometimes, an international agreement may also help gain access from within the Netherlands to sectors where there is evidence of poor working conditions and a low level of unionisation, such as in the flower culture.

What is possibly of greatest significance is that ultimately we as trade unions must be able to enter into discussions internationally and negotiate on corporate decisions of a more strategic nature, such as proposed reorganisations or investments/divestments etc. A dialogue on basic workers' rights that was initiated with the aid of an IFA has the potential to be gradually expanded into consultations on the more strategic type of decisions.

Why ought unions to want an IFA?

- It furthers the dialogue at an international level and recognises the unions at international level. And in a globalising world, this is a must.
- It can be a stepping stone to a broader agenda: strategic consultation and/or negotiation at international level.
- It gives workers protection with respect to their basic rights.
- It is an aid to unions if they wish to organise locally or nationally and obstruction occurs.

Why might unions not want an IFA?

- Because there might be a competence struggle between the GUF and the union, or cultural differences.
- Because the union is unwilling to transfer influence to the GUF.
- Because it costs manpower and resources.

Why might employers want an IFA?

The International Organisation of Employers (IOE) has written a paper on their philosophy with regard to IFAs, describing a tendency to the conclusion of IFAs: “.. the pace of emergency of newly signed IFAs has been rapid.”⁴ They regard IFAs amongst other things as the unions' answer to loss of members and loss of influence. They also give arguments as to why companies enter into an IFA:

- Better working relationships with unions, the dialogue is deepened
- It can have a restful effect, problems can be resolved. (risk management)

⁴ From: International Framework Agreements, an employers guide. International Organisation of Employers, updated version September 2005. page 2

- Consultation with the GUF can avoid the need for consultation with a whole array of groups
- Financial markets increasingly take notice of 'ethical criteria'. An IFA is an advantage

A summary is also given of reasons **why companies might not want an IFA**:

- It may push up the norms: there will be a demand for improvement up to the highest level
- Publication of sensitive information is undesirable
- It may result in bargaining at both international and local level and this is undesirable.
- It may result in more worldwide union activity and to supportive strikes across the borders.
- Implementation and compliance costs money and manpower.

The comment is made that IFAs are principally concluded with European companies with a consultation tradition. They are less optimistic about the conclusion of IFAs with American or Asian companies.

When are they of some use??

An agreement of this nature is obviously all very fine. But isn't there a good chance that it will simply disappear under a big pile of paper and that nothing will come of it? How far is the GUF actually able to monitor and promote compliance? Particularly where poorly organised unions and a large supply chain are concerned? And if the agreement is not complied with, is there anywhere you can go to get justice? The mere signing of a piece of paper is not enough, that much should be obvious.

The agreement is a good thing to have if the GUF is genuinely able to speak on behalf of the workers, is well acquainted with the employees' circumstances and is able to put forward concrete cases to the international management. This means that local and national unions must know about the agreement, be familiar with the content, know what use it will be to them and in what way they can make use of the agreements.

The consolidation of a global union network where information is exchanged and mutual solidarity furthered is in fact an essential condition.

However, it can also work the other way round. If the union's work is obstructed, the agreement can offer local unions a tool to open up the way to unionising and representing the workers. If there is no organisation at all, agreements could be come to in conjunction with the company as to how the GUF might stimulate union organisation.

Global union networks

An agreement without any global, national or local union network structure has little point. It could be explored on a per-company basis what strategically the best approach is and where a start can best be made. An existing network can increase the pressure on the company to make an agreement. Vice versa, an agreement can even in fact be a starting point for strengthening the unions and the structure. The agreement drawn up by the IBBH with IKEA is a case in point.

The IBBH sees this agreement as an opportunity for consolidating union work where this does not at present exist or is not possible, as for example in China.

Collaboration with EWC

Collaboration with employee participation bodies such as the European Works Council is an obvious step to take as the European Works Council is sometimes able to draw on information extending further than Europe. If there is a World Works Council, and these are not very widespread, collaboration may be sought here. Some IFAs were established on the initiative of the European Works Council or the World Works Council. However, the same applies here as at national level, in that these bodies are not union bodies while a framework agreement is specifically a trade union tool.

In view of the difference in content of agreements, there also needs to be a per-company examination not only of where the priority should be placed and what the agreement should cover, but obviously also of what is achievable. Many existing agreements emphasise union rights and the right to collective bargaining, with in fact the object of providing support in activities geared to organisation.

Monitoring and funding

All agreements should at least make clear mention of how notification of the agreement is to be made, the performance and monitoring of the agreement and the role to be played by the GUF and the national unions. The funding is also a focus point. In some instances, the company has even been known to pay for such items as union meetings or training programmes geared to promulgating the agreement and providing employees with tools to use the agreement.

Terms and conditions:

1. Employees and unions must be acquainted with the content of the code and know what measures they can take in the event of infringements. (training, handing out of material in different languages etc)
2. Employees must be entitled to protection if they bring up the issue of infringements.
3. Clear agreements are incorporated on compliance and implementation and the role played by the GUF here is clear.
4. The company has a management system that provides for compliance and monitoring of the agreement.
5. There is clarity as to who in the company are responsible for implementation and execution.
6. The GUF represents a major section of the employees.
7. Or: GUF will make a start on organising workers with the aid of the agreement.
8. The GUF has the capacity (manpower and resources) to carry out its tasks deriving from the agreement.
9. The distribution of tasks between the GUF and the union in the country of location of the headquarters (headquarter union) is clear and transparent.
10. There is an international network of unions within the company. (Global Union Network)

The practice

Truth compels us to add that as yet not all that much information is available on the practical impact of the IFAs already concluded. There is an impression that a number of IFAs are paper tigers that nothing much is done with in practice. The BWI (Building and Woodworkers International, successor to the IFBWW) has, however, conducted an internal evaluation and examined the impact⁵. What emerges is a highly diverse situation in practice. Some agreements are virtually 'dead'. There are, however, enough results that can be reported as to progress achieved. For example, the Polish unions had an agreement to thank for being successful in organising workers at Swedwood, an IKEA company. In Malaysia, two factories became unionised. North American unions are now also using the IFAs in their unionisation campaigns, with results at Skanska and Hochtief. BWI itself concludes: "With the development of Global Framework Agreements, BWI is becoming more relevant to trade unions not only in developing but also in developed countries. .. BWI is extending its scope by evolving from a solidarity organisation to a global partner organisation involved in industrial relations at the global level".

BWI recognises the practical problems where compliance is concerned. For unions as well as companies, implementation is a far from simple matter. The member organisations need information meetings, training programmes, seminars and so on because otherwise the agreement will remain an unknown quantity, and if it is known about, people will not know what use they can turn it to.

⁵ "IFBWW experiences with Global Company Agreements", February 2004 can be found at www.ifbww.org

3. Aim of the FNV and unions within multinationals with headquarters in the Netherlands

For workers at multinational companies, as well as for the employees in the Netherlands, crucial decisions are often taken elsewhere. Up to now, we as trade union have not adopted a stance at international level with respect to multinational companies. For FNV unions, discussion on international framework agreements is not yet the order of the day. So far, only four agreements with 'Dutch' companies have been concluded: Ballast Nedam, EADS, Royal BAM Group nv and Euradius BV. .

Existing initiatives may not all appear equally relevant to our day-to-day union work in the Netherlands, because they often focus on fundamental norms that are in general respected here. However, if we use this basic agreement to achieve recognition as a discussion partner at international level, we can then try to extend the scope of the agenda to include key issues: strategic decisions by companies.

While it should in fact be the Global Union Federation (GUF) that bears the brunt, it is the unions in the 'mother country' that in practice play a pivotal role, the GUFs having insufficient manpower and resources to draw up agreements with all the large companies within their sector. These unions are often referred to as 'Headquarter Unions'. Here, too, is where most of the expertise on the company is to be found. Furthermore, unions active in the country of the company's headquarters often have a long tradition within the company. Many existing agreements relate to companies originating in Scandinavia or Western Europe (particularly Germany), the main reason being the generally good relations between the unions and the companies and the fact that unions often have direct avenues of approach to the management.

Where do we go from here?

FNV unions in consultation with the relevant GUF could compile a list of which companies with headquarters in the Netherlands would be suitable candidates for an agreement. In spite of the fact that the GUFs' limited manpower often means that in practice the FNV unions would have to do part of the operational work themselves, the GUFs may nonetheless carry out some of the preparatory and implementational work.

As Akzo Nobel, Ahold, Philips, Heineken, ABN AMRO and Unilever are already the subjects of research and international activities in the context of the Company Monitor, it would seem logical to explore the possibilities within these companies. There are other companies, however, that are also potential candidates, including Shell, DSM, TPG, TNT. The somewhat smaller players like Avebe as well as one or two of the large construction companies might also be suitable.

Criteria for the choice of companies:

- Importance of the company (numbers of employees), position in the sector, model company or not.
- Spread across continents and countries
- Added value of an agreement compared with standard trade union channels
- Is there a demand from the local unions?
- Involvement of FNV union representatives
- Involvement of FNV executive member/negotiator
- Involvement of GUF: is the company one of its priorities?
- Good relations between GUF and union
- Active European Works Council with worldwide focus is an advantage
- And last but not least: the likelihood of success

What can FNV Mondiaal actually do?

Entering into Framework Agreements is a matter for GUFs and their affiliated unions. In a direct sense, this is not a task for FNV Mondiaal.

Within FNV Mondiaal's mission "to promote strong democratic trade unions in developing countries", framework agreements are indeed an important tool.

The contribution that FNV Mondiaal can make is:

- Expertise on framework agreements, and in a broader sense CSR
- Giving support (=money) to programmes organised by GUFs and unions in this area.
- Financially supporting consolidation of trade union networks within multinationals in developing and transitional countries.

4. Conclusions

- It is imperative that we adopt more of a global attitude. Increasing globalisation, outsourcing, offshoring etc compel us to reflect on our position within multinational companies.
- As yet, we have virtually no tools capable of filling the gap between national collective agreements and the global level. IFAs may not be the ideal tools but they are among the few that we do have at the present time.
- The IFA is a means to achieving international consultation. The IFA is not a goal in itself.
- The IFA has the power to escalate into a full-scale dialogue at international level and as a stepping stone to possible future negotiations at international level.
- The IFA is primarily the territory of unions and their GUFs.

Proposed aim:

- Unions with large multinational companies within their reach will, in close consultation with the relevant GUFs, determine a point of departure in order to achieve consolidation of international union work within multinationals. It will be explored whether entering into IFAs with a few multinational companies with headquarters in the Netherlands would be a worthwhile tool, taking account of the criteria mentioned in this paper. Logically, priority should be given to companies where activities are already in progress, such as those being conducted within the framework of the Company Monitor based at FNV Bondgenoten.
- The target figure is to achieve 6 global agreements in a period up to 2009.
- In September 2006 we will have a joint discussion of the situation as it will be then (trade union confederation, the unions concerned and FNV Mondiaal).

APPENDIX I

A complete list of all framework agreements concluded can be found at www.global-unions.org. A click will take you to the text of the agreement.

All Framework Agreements

International Framework Agreements concluded between Transnational Companies and Global Union Federations (GUF)

Company	Employees*	Country	Sector	GUF	Year
Danone	100,000	France	Food Processing	IUF	1988
Accor	147,000	France	Hotels	IUF	1995
IKEA	70,000	Sweden	Furniture	IFBWW	1998
Statoil	16,000	Norway	Oil Industry	ICEM	1998
Faber-Castell	6,000	Germany	Office Material	IFBWW	1999
Freudenberg	27,500	Germany	Chemical Industry	ICEM	2000
Hochtief	37,000	Germany	Construction	IFBWW	2000
Carrefour	383,000	France	Retail Industry	UNI	2001
Chiquita	26,000	USA	Agriculture	IUF	2001
OTE Telecom	18,500	Greece	Telecommunication	UNI	2001
Skanska	79,000	Sweden	Construction	IFBWW	2001
Telefonica	161,500	Spain	Telecommunication	UNI	2001
Merloni	20,000	Italy	Metal Industry	IMF	2002
Endesa	13,600	Spain	Power Industry	ICEM	2002
Ballast Nedam	7,800	Netherlands	Construction	IFBWW	2002
Fonterra	20,000	New Zealand	Dairy Industry	IUF	2002
Volkswagen	325,000	Germany	Auto Industry	IMF	2002
Norske Skog	11,000	Norway	Paper	ICEM	2002
AngloGold	64,900	South Africa	Mining	ICEM	2002
DaimlerChrysler	372,500	Germany	Auto Industry	IMF	2002
Eni	70,000	Italy	Energy	ICEM	2002
Leoni	18,000	Germany	Electrical/Automotive	IMF	2003
ISS	280,000	Danmark	Cleaning & Maintenance	UNI	2003
GEA	14,000	Germany	Engineering	IMF	2003
SKF	39,000	Sweden	Ball Bearing	IMF	2003

Rheinmetall	25,950	Germany	Defence / Auto /Electron.	IMF	2003
H&M	40,000	Sweden	Retail	UNI	2004
Bosch	225,900	Germany	Automotive / Electronics	IMF	2004
Prym	4,000	Germany	Metal Manufacturing	IMF	2004
SCA	46,000	Sweden	Paper Industry	ICEM	2004
Lukoil	150,000	Russia	Energy / Oil	ICEM	2004
Renault	130,700	France	Auto Industry	IMF	2004
Impregilo	13,000	Italy	Construction	IFBWW	2004
Electricité de France (EDF)	167,000	France	Energy Sector	ICEM / PSI	2005
Rhodia	20,000	France	Chemical Industry	ICEM	2005
Veidekke	5,000	Norway	Construction	IFBWW	2005
BMW	106,000	Germany	Auto Industry	IMF	2005
EADS	110,000	Netherlands	Aerospace	IMF	2005
Röchling	8,000	Germany	Auto industry, plastics	IMF	2005

* The employee figures are mainly taken from the respective company's website. The list shows the number of employees who are directly employed by a company. Most agreements also have an impact on sub-contracting companies and suppliers. In such cases, the number of people affected by the agreement is of course higher.

In October 2005, agreements were made with Stabilo (BWI) and l'avache (BWI and ICEM)

In 2006 agreements were made with Royal BAM Group (BWI) and Euradius (UNI)